

# MANUFACTURING EXTENSION PARTNERSHIP

## Success Stories from the Field

### Shaw Industries Inc

#### Northwest Pennsylvania Industrial Resource Center

#### Shaw Industries Uses PBA Services to Emerge from Bankruptcy and Return to Successful Operations

##### Client Profile:

Shaw Industries has been a manufacturer of tools, dies, jigs, fixtures and industrial molds for 59 years. Located in Franklin, Pennsylvania, the company employs 50 people.

##### Situation:

Shaw Industries was having difficulty with cash flow and sales revenue, needed help with cost and expense reduction, and wanted to refinance the company and divest excess resources. In addition, management recognized the need for strategic and business plans to help guide their future. Finally, the company felt that they needed to improve their manufacturing process, hoping to implement Lean Manufacturing and high-end machining techniques. A long-range goal was lights-out manufacturing, 24x7. In the spring of 2002, the company turned to the Northwest Pennsylvania Industrial Resource Center (NWIRC), a NIST MEP network affiliate, for assistance in meeting these needs.

##### Solution:

A certified Professional Business Advisor (PBA) from NWIRC recognized the need for assistance at many levels of the company's operation. The PBA was able to help the company develop business and strategic plans, but the cash flow problem became preemptive, and the PBA brought in a consultant to address this problem alone. After assisting management with an analysis, the consultant recommended filing for Chapter 11 bankruptcy protection. Work was begun immediately on a reorganization plan with exploration of ways to refinance the company. A thorough review of personnel and personnel effectiveness was also undertaken, as well as learning about new business acquisition procedures. This phase of the project resulted in a real reorganization business plan, which was used to acquire a commercial mortgage or bond letter of credit from an appropriate financial institution in order to refinance Shaw Industries based on the acquisition of low-cost long-term financing. The next phase identified possible sources of long-term low-cost financing including commercial mortgage lending banks and companies, the Venango County Industrial Development Authority (VIDA) bonds, and Pennsylvania Economic Development Financing (PEDFA) bonds. Two NWIRC PBAs and the third-party consultant continued working with management to guide them through reorganization and into emergence from bankruptcy. By late 2003, the company used its business plan to help negotiate with private and government sources of debt capital, reducing cash outflow while providing a flexible line-of-credit to finance work-in-process inventory of long-lead-time customer projects. The goal of this effort is for Shaw Industries to emerge from Chapter 11 bankruptcy, which hopefully will be achieved by September 30, 2004, provided they are approved for a USDA guarantee for their refinancing.

##### Results:

[www.mep.nist.gov](http://www.mep.nist.gov)



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- \* Developed a business plan.
- \* Developed a strategic plan.
- \* Secured financial support to allow the company to emerge from Chapter 11 bankruptcy protection into smooth daily operation.

### Testimonial:

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